



To: Finance Committee

From: John Elsesser, Town Manager

Date: March 13, 2014

Re: SB-28, AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET

I am writing in *support* of **SB-28** which would exempt municipalities from the 1.75 % Premium Loading Tax on health insurance premiums. Creating this exemption would return equity to the system and cease taxing smaller communities which cannot risk self-insurance. Many find it hard to understand why the state is taxing its partners in government.

First a brief look at the history of the Act. The State exempted itself from this tax in 1997 and later broadened this exemption to include the Husky Plan, Medicare and retired teachers. In 2001 non-profits were exempted including towns in the MEHIP plans. In 2005 community action agencies were exempted. As previously mentioned, self-insured are by default exempt since they do not pay premiums unless they are purchasing stop-loss coverage. SB-16 would add municipalities to the list of exemptions. The language may be clearer if you broaden it to include school districts including regional districts.

In the Town of Coventry this tax was over \$90,000 in 2011 which is more than we receive in casino funds. In 2010, due to the projected 15% premium increase this tax increased by more than \$13,000 and the amount exceeded what we receive in LOCIP funds. I probably don't need to remind you that the source of payment for the Premium Tax is the local property tax. To put this in perspective, the Premium Loading Tax is equal to the property tax increase from over twenty households.

We appreciate your Committee looking at this issue. We believe that it is both unfair and unequal to continue to impose the Premium Loading Tax on only certain towns and boards of education and urge your support for SB-28.